

**ORIGINAL**

***Annual Review  
Of  
Base Rates for Fuel Costs  
Of  
Duke Power Company***

***Docket No. 98-003-E***

***HEARING DATE  
May 14, 1998***

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S. C. PUBLIC SERVICE COMMISSION  
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UTILITIES DEPARTMENT

***Testimony of  
A. R. Watts  
Utilities Department***

***South Carolina Public Service Commission***

**TESTIMONY OF A. R. WATTS**  
**FOR**  
**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**  
**DOCKET NO. 98-003-E**  
**IN RE: DUKE POWER COMPANY**

**Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?**

**A.** A. R. Watts, 111 Doctors Circle, Columbia, South Carolina. I am employed by The Public Service Commission of South Carolina, Utilities Department, as an Engineer Associate.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received a Bachelor of Science Degree in Electrical Engineering from the University of South Carolina in Columbia in 1976. I was employed at that time by this Commission as a Utilities Engineer in the Electric Department and was promoted to Chief of the Electric Department in August 1981. I have been in my current position since July 1995. I have attended professional seminars relating to Electric Utility Rate Design, and have testified before this Commission in conjunction with numerous fuel clause and general rate proceedings.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

**A.** The purpose of my testimony is to present Staff's findings as set forth in the Utilities Department's portion of the Staff Report.

**Q. WHAT SPECIFIC AREAS WERE ENCOMPASSED BY STAFF'S EXAMINATION?**

**A.** The Utilities Department's examination of the Company's fuel operations consisted of a review of the Company's monthly operating reports, review of the currently

1 approved adjustment for fuel costs tariff, and review of the Company's short-term  
2 projections of kilowatt-hour sales and fuel requirements.

3 **Q. DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR**  
4 **THE PERIOD?**

5 **A.** Yes, we reviewed the Company's operation of its generating facilities, including  
6 special attention to the nuclear plant operations, to determine if the Company made  
7 every reasonable effort to minimize fuel costs.

8 **Q. HAVE YOU DETERMINED THAT ANY SITUATIONS WARRANT**  
9 **DETERMINATION THAT THE COMPANY HAS ACTED**  
10 **UNREASONABLY IN OPERATING ITS FACILITIES AND THEREBY**  
11 **CAUSING ITS CUSTOMERS TO BE SUBJECT TO PAYING HIGHER**  
12 **FUEL COSTS?**

13 **A.** No. The major fossil units averaged over 90% availability for the majority of the  
14 period under review as indicated on Utilities Department Exhibit No. 1. Staff also  
15 examined records to determine if the utility achieved an adjusted capacity factor for  
16 the period under review of 92.5% as required by statute to presume cost  
17 minimization. The nuclear generation systems adjusted net capacity factor was  
18 above 92.5% for the period, exceeding the statutory requirement threshold to  
19 presume cost minimization.

20 **Q. WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES**  
21 **DEPARTMENT'S EXHIBITS?**

22 **A.** Exhibit No. 2 shows the Company's Unit Outages for the months of April 1997  
23 through March 1998, listing the plants by unit, duration of the outage, reason for  
24 the outage, and corrective action taken. Exhibit No.3 lists the Company's  
25 percentage Generation Mix by fossil, nuclear, and hydro for the period April 1997  
26 through March 1998. Exhibit No. 4 reflects the Company's major plants by  
27 name, type of fuel used, average fuel cost in cents per KWH to operate, and total  
28 megawatt-hours generated for the twelve months ending March 1998. Exhibit  
29 No. 5 shows a comparison of the Company's original retail megawatt-hour estimated  
30 sales to the actual sales for the period under review. Exhibit No. 6 is a comparison of

1 the original fuel factor projections to the factors actually experienced for the twelve  
2 months ending March 1998. Exhibit No. 7 is a graphical representation of the  
3 data in Exhibit No. 6. Exhibit No. 8 is the Company's currently approved retail  
4 Adjustment For Fuel Costs tariff. Exhibit No. 9 is a history of the cumulative  
5 recovery account. Exhibit No. 10 is a table of estimates for the cumulative recovery  
6 account balance for various base levels of fuel factors for the period ending May  
7 1999.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 **A.** Yes, it does.